

TESTIMONY OF AMERICAN PEANUT SHELLERS
ASSOCIATION BEFORE THE HOUSE SUBCOMMITTEE ON
SPECIALTY CROPS AND FOREIGN AGRICULTURE PROGRAMS

WASHINGTON, D.C.

JUNE 13, 2001

Good morning Mr. Chairman. My name is Evans Plowden. I represent the American Peanut Shellers Association. Members of our association handle approximately 90% of the peanuts grown in the United States.

We appreciate the opportunity to present our views on peanut legislation to the committee. We obviously have a vital interest in this legislation.

The United States is by far the largest market for edible peanuts in the world. In fact, edible uses for peanuts in the rest of the world combined, approximately equals that of the U.S. This market is not only the largest in volume, but the price is almost double that in the rest of the world. Consequently, the U.S. market **IS** the market for edible peanuts.

Over the last several decades the U.S. market for edible peanuts was protected from significant imports. That is no longer true today. Additionally, products containing peanuts may be imported into the United States without restriction. The consequences of direct kernel and peanut butter imports together

with imports of products containing peanuts has eroded the volumes for U.S. growers and shellers. The prospects for the future seem to be much the same. NAFTA now allows unlimited imports of peanut butter made from Mexican peanuts and will soon allow virtually unlimited imports of kernels from Mexico. As you know, there are other trade agreements on the horizon.

There is no real disagreement over these circumstances. Everyone agrees that the price of peanuts in the market place must decline so as to become competitive with peanuts from other origins. Unless that is done the United States industry will lose the export market in the short term and the loss of the domestic market will continue.

The price of U.S. peanuts is higher than the world market, not only because of price supports but also because of a highly complex, set of legal and regulatory procedures administered by entities that have developed over the decades which are no longer useful. These regulations are often counter productive and add to the cost of the finished product. I am not speaking

here of food safety or environmental regulations but rather outdated procedures which were instituted in the past to address issues that either no longer exist or because of technological advancement can be addressed in better ways. An example is that because of these outdated regulations in the U.S., we still must keep peanuts identified and preserved on small wagons until dried before purchasing, rather than using modern technology of continuous flow dryers. The peanut industry, from a regulatory standpoint is still operating in the fifties and sixties. We have to compete with people who are operating in the 21st Century. It would be an absolute tragedy to make dramatic reforms of the basics of the peanut program and then leave in place a bureaucratic structure that is no longer useful but rather counter productive. It prohibits efficiency and adds costs to the benefit of no one.

We urge you to be aware that the reforms needed in response to trade agreements include not only price

competitiveness but also eliminating unneeded and costly procedures and structures.

It is our view that the marketing loan concept proposed by the testimony of Doyle Fincher is the best approach to preserve the peanut industry in the United States. However, there is some danger that, during the adjustment from the current supply management program to a marketing loan program, overproduction might occur.

Our segment of the industry is quite concerned about the prospects of overproduction. While we would expect an increased market for domestically produced peanuts, both due to a potential increase in demand and due to U.S. peanuts retaking that portion of the market having been lost to imports, we are concerned that production could dramatically outpace even that increased demand. Such overproduction would of course increase government costs but also be quite detrimental to the peanut shelling industry and growers.

In making this adjustment, we support, during a transitional period, eligibility for the marketing loan in those geographical areas of the United States that have traditionally produced peanuts. While there might still be some overproduction in those traditional areas, we believe that the dangers of overproduction would be manageable, peanuts would be orderly marketed and we would not have the large infrastructure and community disruptions that would occur if this transitional step were not taken. Mr. Chairman, I want to emphasize that we see this as a transitional step and that eventually the marketing loan could be available everywhere. However, much infrastructure and employment has developed over the decades of the existing program in the historic growing states and regions and some transition period would be wise.

In closing let me say again that after much thought, we believe that the marketing loan concept is the best way to allow all of us to successfully compete in the biggest and best market in the world.

Thank you Mr. Chairman. I will be glad to try to answer any questions you or members of the Committee may have.